

# **Department of Defense Revolving Funds**

## **Justification/Overview**



Fiscal Year (FY) 2006/2007  
President's Budget Estimates

February 2005

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**WASHINGTON HEADQUARTERS SERVICES**  
**Summary of Operations**  
**Fiscal Year (FY) 2006/FY 2007 Budget Estimates**  
**Pentagon Reservation Maintenance Revolving Fund**

**Overview:**

The Pentagon Reservation Maintenance Revolving Fund (PRMRF) was established by the FY 1991 Defense Authorization Act (10 USC 2674). The fund is responsible for the maintenance, protection, repair and renovation of the Pentagon Reservation. As established, the "Pentagon Reservation" refers to that area of land (consisting of approximately 280 acres) located in Arlington, Virginia, on which the Pentagon Building, Federal Office Building #2, the Pentagon heating and sewage treatment plants, and other related facilities including the land and physical facilities at the Raven Rock Mountain Complex. Currently, the PRMRF finances the activities of the Washington Headquarters Services (WHS), the Pentagon Force Protection Agency (PFPA), and the Raven Rock Mountain Complex (RRMC) in providing; space, building services, deep underground relocation capability, and force protection for Department of Defense (DoD) Components, including the Military Departments and other activities housed within the Pentagon Reservation. The following activities are financed on a reimbursable basis through the PRMRF:

**Real Property Operations.** Responsible for the safe and efficient operation, maintenance and repair of the Pentagon Reservation which includes the Pentagon, the Pentagon Heating and Refrigeration Plant, Federal Office Building #2 (Navy Annex), the Modular Office Complex, and all Reservation grounds and parking areas. Services provided include cleaning, preventive maintenance, operation and repair of building mechanical and electrical systems, trash removal, landscaping, and administrative support within the Reservation. This activity also includes operating expenses for purchased utilities, operation of the Pentagon's Heating and Refrigeration Plant, the classified waste incinerator, and repair projects greater than \$10,000. These activities maintain the facilities within the Reservation at levels adequate to support the assigned missions and to prevent deterioration and damage to Reservation buildings, their support systems and operating equipment. Protection of the Government's investment, cost effectiveness, health and safety of workers and the public are among the most important criteria for determining project priorities.

**Pentagon Force Protection Agency.** The terrorist attack of September 11, 2001 demonstrated the need for DoD to improve the physical security of the Pentagon to protect life and property. As part of that effort, the Pentagon Force Protection Agency (PFPA) was established by the Deputy Secretary of Defense as a Defense Agency

pursuant to 10 USC 191. The mission of PFPA is to provide force protection, security, and law enforcement, as required for the people, facilities, infrastructure and other resources at the Pentagon Reservation and for DoD activities. The PFPA is the DoD focal point for coordination with other DoD Components, other Executive Departments and Agencies, and State and Local authorities on matters involving force protection, security, and law enforcement activities that effect the Pentagon. Included in the PFPA mission is the requirement to provide chemical, biological, and radiological (CBR) protection at the Pentagon Reservation consistent with DoD policy, directives, and guidance concerning Chemical, Biological, Radiological, Nuclear, and Explosive (CBRNE) protection.

**Pentagon Renovation and Construction.** The Defense Authorization Act of FY 1991 transferred control of the Pentagon Reservation from the Administrator of General Services Administration to the Secretary of Defense. Under the same Act, Congress established the Pentagon Reservation Maintenance Revolving Fund for the express intent of operating, maintaining and renovating the Pentagon. This Act allows the Secretary of Defense to establish rent rates for the tenants to support the renovation. The Renovation Program provides all new mechanical, electrical, plumbing and sprinkler systems, vertical transportation, cable management systems, improvements in fire and life safety systems, and provides accessibility throughout for persons with disabilities. It is also preserving historic building elements, upgrading operation centers, installing modern telecommunications support features, and complying with energy conservation and environmental requirements. In managing this extensive program, the Pentagon Renovation and Construction (PENREN/C) program develops and employs construction business practices that are performance-based and results-oriented. The Pentagon renovation is expected to continue through FY 2010.

**Raven Rock Mountain Complex.** The mission of Raven Rock Mountain Complex is to support the Continuity of Operations Planning (COOP) for the Office of the Secretary of Defense and the Joint Staff. Services provided include cleaning, preventive maintenance, operation and repair of mechanical and utility systems, roads and grounds maintenance, fire and emergency services, food services, information management support services, and administrative support. These services support the Raven Rock Mountain Complex customer base by providing maintenance and upkeep of facilities within the Complex at levels adequate to support their assigned missions and by preventing deterioration and damage to its facilities, systems, and operating equipment.

The following table summarizes PRMRF total obligations (standard and above standard programs) by major program (\$ millions):

<b><u>Budget Sub-activity</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>
Real Property Operations	127.5	132.7	136.2	145.0
PENREN/C	400.9	487.4	293.9	407.6
PFPA	157.8	157.2	163.6	178.6
Raven Rock Mountain Complex	27.9	28.2	51.9	37.2
Total	714.1	805.5	645.6	768.4

The following table represents PRMRF manpower (FTE) by major program:

<b><u>Budget Sub-activity</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>
Real Property Operations	332	358	358	358
PENREN/C	41	35	35	35
PFPA	669	795	880	988
Total	1,042	1,188	1,273	1,381

#### **Budget Highlights:**

The renovation of the Pentagon Reservation continues with accelerated design and construction activities. FY 2005 marks the completion of Wedge 2 and the beginning of Wedge 3 design and construction. The Unified Command and Resource Situation Awareness Centers will be implemented in FY 2005. Wedge 4 design and construction will begin in FY 2007. Information Management and Telecommunications (IM&T) planning, engineering management, acquisition will continue thru FY 2007.

WHS will continue its commissioning program and Pentagon Master Plan to support force protection, personnel safety and security, continuity of operations, and sustainability enhancements. The FY 2007 budget estimate funds the initial design cost for the south parking utility repair project to house utilities that are in need of repair due to corrosive interaction with the surrounding soil.

The PFPA has maintained an aggressive hiring program that will continue and culminate with full authorizations on board in FY 2007. In order to allow active duty and guard personnel to return to war fighting duties, this budget funds the civilization of force protection positions. Beginning in FY 2006 and continuing thru FY 2007, 173 force protection positions will be converted from military to PFPA civilian positions. The majority of positions involve the assumption of force protection responsibility by PFPA at the Raven Rock Mountain Complex. The PFPA Life Safety Network, including the Incident Command Center will be operational in FY 2007.

The funding for Raven Rock Mountain Complex in FY 2006 and FY 2007 include capital investment authority for Temporary Power and Temporary Chiller projects estimated at \$22.0 million to provide upgraded capabilities to meet facility load requirements.

The following table represents PRMRF obligations by object classification for FY 2004-2007 (\$ in millions):

<b><u>Budget Sub-activity</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>
Personnel Compensation	75.1	86.4	95.1	104.9
Personnel Benefits	18.4	21.4	24.1	27.1
Benefits to Former Employees	0.2	0.2	0.3	0.3
Travel	1.0	1.0	1.0	1.0
Transportation	0.4	0.7	0.6	0.6
Rent, Communications, Utilities	39.6	40.2	42.5	44.4
Printing	0.1	0.1	0.1	0.1
Other Services	493.1	591.8	427.4	531.4
Supplies and Materials	11.8	12.2	12.6	12.9
Equipment	74.4	51.5	42.0	45.6
Interest and Dividends	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
Totals	714.1	805.5	645.6	768.4

#### **Narrative Explanation of Changes by Object Classification**

Personnel Compensation and Personnel Benefits - The increase from FY 2004 to FY 2005 is attributable to the hiring of security forces by the PFPA to reach full operational levels. Fiscal Years 2006 and 2007 estimates include increased requirements for the RRMC force protection and military to civilian conversions.

Other Services - The increase from FY 2004 to FY 2005 reflects the award of the Wedge 3 construction contract and the implementation of the Unified Command Center. FY 2006 reflects the completion of Wedge 3 construction. FY 2007 reflects award of Wedge 4 Design and Construction.

Supplies and Materials - The decrease from FY 2004 to FY 2005 is attributed to reduced purchase of CB Laboratory and Hazardous Response Consumables.

Equipment - The decrease in FY 2005 is attributable to one time purchase of Life Safety communications equipment and increase purchased associated with Wedge 3 renovation. FY 2006 reflects one time Wedge 3 renovation purchases and Incident Command Center equipment purchases in FY 2005. FY 2007 increase is reflective of a one time purchase associated with the start-up of Wedge 4.

All other increases are attributable to anticipated price growth.

WASHINGTON HEADQUARTERS SERVICES  
Summary of Price, Program and other Changes - Obligations  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Pentagon Reservation Maintenance Revolving Fund  
February 2005  
(Dollars in Millions)

<u>Element of Expense</u>	<u>Cost of Operations FY 2004</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Amount</u>	<u>Program &amp; Other Changes</u>	<u>Cost of Operations FY 2005</u>
Civilian Personnel Compensation	75.1	0.8	1.9	8.5	86.4
Civilian Personnel Benefits	18.4	0.2	0.5	2.3	21.4
Benefits to Former Employees	0.2	0.0	0.0	0.0	0.2
Travel	1.0		0.0	0.0	1.0
Transportation	0.4		0.0	0.3	0.7
Rent	5.9		0.1	0.0	6.0
Communication and Utilities	33.7		0.7	-0.2	34.2
Printing	0.1		0.0	0.0	0.1
Other Services	493.1		9.9	88.8	591.8
Supplies and Materials	11.8		0.2	0.2	12.2
Equipment	74.4		1.5	-24.4	51.5
Interest/Dividend	0.1		0.0	0.0	0.1
<b>Total COST OF OPERATIONS (Includes Above Standard Program)</b>	<b>714.1</b>	<b>1.0</b>	<b>14.8</b>	<b>75.6</b>	<b>805.5</b>

WASHINGTON HEADQUARTERS SERVICES  
Summary of Price, Program and other Changes - Obligations  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Pentagon Reservation Maintenance Revolving Fund  
February 2005  
(Dollars in Millions)

<u>Element of Expense</u>	<u>Cost of Operations FY 2005</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Amount</u>	<u>Program &amp; Other Changes</u>	<u>Cost of Operations FY 2006</u>
Civilian Personnel Compensation	86.4	0.8	1.5	6.4	95.1
Civilian Personnel Benefits	21.4	0.2	0.4	2.1	24.1
Benefits to Former Employees	0.2	0.0	0.0	0.0	0.3
Travel	1.0		0.0	0.0	1.0
Transportation	0.7		0.0	-0.1	0.6
Rent	6.0		0.1	1.3	7.4
Communication and Utilities	34.2		0.7	0.1	35.1
Printing	0.1		0.0	0.0	0.1
Other Services	591.8		11.8	-176.2	427.4
Supplies and Materials	12.2		0.2	0.2	12.6
Equipment	51.5		1.0	-10.5	42.0
Interest & Dividends	0.1		0.0	0.0	0.1
<b>TOTAL COST OF OPERATIONS</b> (Includes Above Standard Program)	<b>805.5</b>	<b>1.0</b>	<b>15.7</b>	<b>-176.7</b>	<b>645.6</b>



WASHINGTON HEADQUARTERS SERVICES  
Summary of Price, Program and other Changes - Obligations  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
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February 2005  
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<u>Element of Expense</u>	Cost of Operations <u>FY 2006</u>	Annualization of Pay Raises	Price Growth <u>Amount</u>	Program & Other Changes	Cost of Operations <u>FY 2007</u>
Civilian Personnel Compensation	95.1	0.6	1.6	7.7	104.9
Civilian Personnel Benefits	24.1	0.1	0.4	2.5	27.1
Benefits to Former Employees	0.3	0.0	0.0	0.0	0.3
Travel	1.0		0.0	0.0	1.0
Transportation	0.6		0.0	0.0	0.6
Rent	7.4		0.2	1.0	8.6
Communication and Utilities	35.1		0.7	0.0	35.8
Printing	0.1		0.0	0.0	0.1
Other Services	427.4		9.0	95.0	531.4
Supplies and Materials	12.6		0.3	0.0	12.9
Equipment	42.0		0.9	2.8	45.6
Interest & Dividends	0.1		0.0	0.0	0.1
<b>TOTAL COST OF OPERATIONS</b> (Includes Above Standard Program)	<b>645.6</b>	<b>0.7</b>	<b>13.1</b>	<b>109.1</b>	<b>768.4</b>

WASHINGTON HEADQUARTERS SERVICES  
Source of New Orders and Revenue  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Pentagon Reservation Maintenance Revolving Fund  
February 2005  
(Dollars in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
1. Funded Customer Orders				
<b>a. Rent Orders from DoD Components:</b>				
Department of the Air Force	100.7	135.0	108.4	134.0
Department of the Army	195.0	259.5	142.0	177.1
United States Marine Corp	34.4	47.0	42.8	51.6
Department of the Navy	56.6	75.2	68.4	82.0
Subtotal Military Departments	386.7	516.7	361.6	444.8
Defense-Wide				
AFIS	0.6	0.6	0.2	0.2
DIA	20.7	27.0	22.2	27.3
DISA	14.1	12.9	12.8	12.8
DLA	2.3	0.4	0.1	0.1
DLSA	0.6	0.7	0.5	0.7
DTRA	0.6	0.4	0.7	0.5
JCS	69.2	80.8	61.0	67.4
MDA	11.2	6.1	14.9	16.4
NGA (NIMA)	0.6	0.8	0.4	0.6
NSA	0.1	0.1	0.3	0.4
PFPA	4.5	4.6	7.0	8.3
WHS	74.7	101.8	103.6	128.9
Subtotal Defense-Wide	194.6	236.2	223.6	263.5
<b>Orders Non-DoD Agencies:</b>				
DoD Concessions Committee	1.9	0.8	0.9	0.9
<b>b. Total Standard Level Rent Orders</b>	<b>583.2</b>	<b>753.8</b>	<b>586.0</b>	<b>709.1</b>
<b>c. Other Orders:</b>				
Above Standard Level Services:				
Building Services and Space Adjustments	23.5	25.9	26.9	24.7
PENREN/C Customer Orders	49.0	18.0	14.0	16.0
Renovation Furniture	3.0	5.0	5.1	10.3
Force Protection	3.1	2.8	2.9	3.0
Subtotal Above Standard Services	<b>78.5</b>	<b>51.7</b>	<b>48.9</b>	<b>54.0</b>
Orders Non-DoD Agencies	0.0	0.0	0.0	0.0
<b>d. Total New Orders:</b>	<b>661.7</b>	<b>805.5</b>	<b>634.9</b>	<b>763.1</b>

Exhibit Fund 11

WASHINGTON HEADQUARTERS SERVICES  
Revenue and Expenses  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Pentagon Reservation Maintenance Revolving Fund  
February 2005  
(Dollars in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<b>Revenue:</b>				
Direct Appropriation	0.0	0.0	0.0	0.0
Standard level	583.2	753.8	586.0	709.1
Above standard level	<u>78.5</u>	<u>51.7</u>	<u>48.9</u>	<u>54.0</u>
<b>Total revenue</b>	<b>661.7</b>	<b>805.5</b>	<b>634.9</b>	<b>763.1</b>
 <b><u>Standard level operating expenses:</u></b>				
 <b>Real Property Operations:</b>	<b><u>97.8</u></b>	<b><u>101.9</u></b>	<b><u>104.2</u></b>	<b><u>110.0</u></b>
Cleaning	20.7	21.2	21.7	22.1
Utilities & fuel	12.9	8.5	8.6	8.8
Maintenance	15.4	21.9	20.5	20.9
Other building services	8.9	8.3	8.5	8.7
Administration	25.2	27.2	27.7	32.0
Repairs (over \$10,000)	14.8	14.7	17.2	17.5
 <b>Pentagon Force Protection Agency:</b>	<b>154.3</b>	<b>154.4</b>	<b>160.7</b>	<b>175.6</b>
 <b>Pentagon Renovation:</b>	<b><u>371.8</u></b>	<b><u>469.3</u></b>	<b><u>279.9</u></b>	<b><u>391.6</u></b>
Design and Construction	71.8	223.4	131.6	217.4
IM&T	44.0	50.2	41.1	32.6
Swing Space	43.7	51.5	45.4	51.2
Administration	14.7	15.4	16.2	16.6
Other Services	23.9	18.4	17.4	17.5
Life Safety	0.5	22.4	0.0	23.5
Renovation Acceleration	55.3	26.0	17.7	32.8
CCSP	92.4	38.2	2.6	0.0
Site R Improvements	7.3	0.0	0.0	0.0
Executive Support Center	9.3	0.0	0.0	0.0
UCC/RSAC	8.9	23.8	7.9	0.0
 <b>Raven Rock Mountain Complex:</b>	<b>27.8</b>	<b>28.2</b>	<b>51.9</b>	<b>37.2</b>

WASHINGTON HEADQUARTERS SERVICES  
Revenue and Expenses  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Pentagon Reservation Maintenance Revolving Fund  
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(Dollars in Millions)

**Above standard reimbursable expenses:**

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
<b>Real Property Operations:</b>	<b><u>29.7</u></b>	<b><u>30.8</u></b>	<b><u>32.0</u></b>	<b><u>35.0</u></b>
Cleaning	0.0	0.0	0.0	0.0
Utilities and fuels	7.7	7.0	7.1	7.3
Maintenance	0.3	0.4	0.4	0.4
Space adj, furniture & other	21.7	23.4	24.5	27.3
<b>Renovation</b>	<b>29.1</b>	<b>18.1</b>	<b>14.0</b>	<b>16.0</b>
<b>Force Protection</b>	<b>3.5</b>	<b>2.8</b>	<b>2.9</b>	<b>3.0</b>
<b>Total operating expenses</b>	<b>714.0</b>	<b>805.5</b>	<b>645.6</b>	<b>768.4</b>
Other factors affecting NOR				
FY 2004 - funded thru prior year recoveries	-52.3	0.0	-10.6	-5.3
<b>Cost of Services</b>	<b>714.0</b>	<b>805.5</b>	<b>645.6</b>	<b>768.4</b>
Net Operating Result	0.0	0.0	0.0	0.0
Accumulated operating result	0.0	0.0	0.0	0.0

WASHINGTON HEADQUARTERS SERVICES  
Summary Statement  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Pentagon Reservation Maintenance Revolving Fund  
February 2005  
(Dollars in Millions)

DISBURSEMENTS BY FISCAL YEAR												
	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>11</u>
<u>Pentagon Bldg. Renovation:</u>												
FY 2004	400.9	356.5	356.5	400.9	665.3	334.6	94.0	60.1	28.1			
FY 2005	487.4	487.4	487.4	487.4		170.6	190.1	73.1	46.3	7.3		
FY 2006	293.9	293.9	293.9	293.9			182.4	44.1	40.4	14.0	13.1	
FY 2007	407.7	407.7	407.7	407.7				200.2	97.8	66.3	38.0	5.4
<u>Pentagon Force Protection Agency:</u>												
FY 2004	157.8	149.8	149.8	157.8	170.0	31.6						
FY 2005	157.2	157.2	157.2	157.2		110.0	47.2					
FY 2006	163.6	153.0	153.0	163.6			122.7	40.9				
FY 2007	178.6	174.1	174.1	178.6				134.0	44.7			
<u>Real Property Operations:</u>												
<u>Total:</u>												
FY 2004	127.5	127.5	127.5	127.5	159.9	26.2						
FY 2005	132.7	132.7	132.7	132.7		99.5	33.2					
FY 2006	136.2	136.1	136.1	136.2			95.3	40.9				
FY 2007	145.1	144.2	144.2	145.1				101.6	43.5			
<u>Raven Rock Mountain Complex:</u>												
FY 2004	27.9	27.9	27.9	27.9	22.3	5.6						
FY 2005	28.2	28.2	28.2	28.2		22.6	5.6					
FY 2006	51.9	51.9	51.9	51.9			41.5	10.4				
FY 2007	37.1	37.1	37.1	37.1				29.7	7.4			
<u>Total PRMRF:</u>												
FY 2004	714.1	661.7	661.7	714.1	1017.5	397.9	94.0	60.1	28.1			
FY 2005	805.5	805.5	805.5	805.5		402.7	276.1	73.1	46.3	7.3		
FY 2006	645.6	634.9	634.9	645.6			441.9	136.2	40.4	14.0	13.1	
FY 2007	768.5	763.1	763.1	768.5				465.4	193.4	66.3	38.0	5.4
<u>Cash:</u>	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>								
FY 2004	917.9	661.7	1017.5	562.1								
FY 2005	562.1	805.5	800.6	567.0								
FY 2006	567.0	634.9	812.0	389.9								
FY 2007	389.9	763.1	734.8	418.2								

EXHIBIT FUND PR-2

WASHINGTON HEADQUARTERS SERVICES  
Cost of Basic Services  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Pentagon Reservation Maintenance Revolving Fund  
February 2005

PROGRAM	FY 2004		FY 2005		FY 2006		FY 2007	
	Workload Avg. Sq. Ft. (1)	Cost per Sq. Ft. (2)	Workload Avg. Sq. Ft. (1)	Cost per Sq. Ft. (2)	Workload (Avg. Sq. Ft.) (1)	Cost per Sq. Ft. (2)	Workload Avg. Sq. Ft. (1)	Cost per Sq. Ft. (2)
Cleaning	4,496,163	\$4.60	4,725,242	\$4.50	4,725,242	\$4.59	4,725,242	\$4.68
Utilities & Fuels (3)	4,496,163	\$2.86	4,725,242	\$1.79	4,725,242	\$1.83	4,725,242	\$1.86
Maintenance (4)	4,496,163	\$3.43	4,725,242	\$4.64	4,725,242	\$4.34	4,725,242	\$4.43
Other Building Services	4,496,163	\$1.97	4,725,242	\$1.76	4,725,242	\$1.79	4,725,242	\$1.83
Administrative (5)	5,038,658	\$5.00	5,038,658	\$5.39	5,038,658	\$5.50	5,038,658	\$6.35
Administrative Cost as Percent of Total Program Cost***		25.7%		26.7%		26.6%		29.1%

1. Workload Avg. Square footage is based on billable space. It does not include outside parking.
2. Unit Cost per Square Foot Excludes Reimbursable Above Standard Services
3. Utilites and Fuels decrease in FY 2005 due to one time prior year bills that were paid in FY 2004.
4. Maintenance costs increases in FY 2005 due to work that was not accomplished in FY 2004. Additionally, maintenance requirements within the renovated wedges increases beginning in FY 2005 to comply with manufactures' recommendations and commerically acceptable standards.
5. Administrative square footage is based on occupiable square footage.

Fund PR - 1

WASHINGTON HEADQUARTERS SERVICES  
Business Area Capital Purchase Justification  
Fiscal Year (FY) 2006/2007 Budget Estimates  
Pentagon Reservation Maintenance Revolving Fund  
February 2005  
(Dollars in Thousands)

Line Number	Item Description	FY 2004		FY 2005		FY 2006		FY 2007	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
1	Equipment - ADPE & Telecommunications								
2	Equipment - Other	1	17,293	1	13,625	1	8,068	1	6,962
3	Armored Vehicles			1	175	1	175	0	0
4	Major Construction								
	- Replacement	1	287,000	1	379,000	1	186,000	1	321,000
5	Fire Vehicle			1	250	1	375	1	390
	<b>TOTAL</b>	<b>2</b>	<b>304,293</b>	<b>4</b>	<b>393,050</b>	<b>4</b>	<b>194,618</b>	<b>3</b>	<b>328,352</b>

**WASHINGTON HEADQUARTERS SERVICES**  
**Business Area Capital Purchase Justification**  
**Fiscal Year (FY) 2006/2007 Budget Estimates**  
**Pentagon Reservation Maintenance Revolving Fund**  
**February 2005**  
**(Dollars in Thousands)**

ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)				A. FY 2006-2007 Budget Estimates Submission				
B. Pentagon Force Protection Agency (PFPA)		C. Line No. & Item Description		D. Activity Identification				
Element of Cost (\$000)	FY 2004		FY 2005		FY 2006		FY 2007	
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost
Equip - ADPE & Telecom	0	0	0	0	0	0	0	0
Equip - except ADPE & Telecom	1	17,293	17,293	1	13,625	13,625	1	8,068
Armored Vehicles	0	0	0	1	175	175	0	0
TOTAL	1	17,293	17,293	2	13,800	13,800	1	8,243
Narrative Justification :								
\$8.2 million will be executed in FY 2006 for the following PFPA initiatives:								
Equipment - Except ADPE & Telecommunications								
\$8.1 million PFPA Life Safety Systems Architecture which includes:								
- Digital recording for new cameras, system defense and computer network defense, incident command support, Gloval Positioning System, and land mobil radios.								
Systems will be integrated to achieve PFPA system connectivity.								
- Procurement of chemical, biological, radiological sensors and building protection/detection sensor integration, and the joint operations system enhancements for the Life Safety System.								
\$0.2 million Armored Vehicle for a senior DoD official.								



WASHINGTON HEADQUARTERS SERVICES  
 Business Area Capital Purchase Justification  
 Fiscal Year (FY) 2006/2007 Budget Estimates  
 Pentagon Reservation Maintenance Revolving Fund  
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**Narrative Justification Continued:**

**\$7.0 million will be executed in FY 2007 for the following PFPA initiatives:**

Equipment - Except ADPE & Telecommunications

\$7.0 million PFPA Life Safety Systems Architecture which includes:

- Upgrade/integrate systems to achieve PFPA system connectivity.
  - access, badging and parking
  - Digital recording capability for new cameras
  - Certification and accreditation
  - Systems defense and computer network defense
  - Incident command support
  - Global Positioning System
  - Land mobile radios
- Procurement of chemical, biological, radiological sensors and building protection/detection sensor integration, and the joint operations system enhancements for the Life Safety System.

WASHINGTON HEADQUARTERS SERVICES  
Business Area Capital Purchase Justification  
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ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)										A. FY 2006-2007 Budget Estimates Submission		
Pentagon Renovation		C. Line No. & Item Description				D. Activity Identification						
		FY 2004			FY 2005			FY 2006			FY 2007	
Element of Cost (\$000)	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Major Construction	1	287,000	287,000	1	379,000	379,000	1	186,000	186,000	1	321,000	321,000
<b>TOTAL</b>	1	287,000	287,000	1	379,000	379,000	1	186,000	186,000	1	321,000	321,000
<b>Narrative Justification:</b>												
<b>FY 2005: \$378.6 million will be invested in PENREN/C initiatives to include:</b> <ol style="list-style-type: none"> <li>Design and Construction activities, including design, construction, energy management control system, lock hardware, and security systems and interior signs for wedge three (\$214.0 million).</li> <li>Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$50.2 million).</li> <li>Command Communications Survivability (\$38.2 million)</li> <li>Renovation acceleration (\$26.0 million)</li> <li>Design and construction activities including, design, construction, energy management control system, lock hardware and security systems, and interior signs for the Unified Command Center and Resource Situation Awareness Centers (\$23.8 million)</li> <li>Life safety initiatives in Wedge Three to enhance life safety, fire suppression and blast resistance of the Pentagon (\$22.4 million)</li> <li>Construction management and quality assurance (\$4.0 million).</li> </ol>												
<b>FY2006: \$185.9 million will be invested in PENREN/C initiatives to include:</b> <ol style="list-style-type: none"> <li>Continuation of design and construction activities, including design, construction, energy management control system, lock hardware and security systems and interior signs for Wedge Three (\$112.3 million).</li> <li>Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$41.4 million).</li> </ol>												

WASHINGTON HEADQUARTERS SERVICES  
Business Area Capital Purchase Justification  
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Pentagon Reservation Maintenance Revolving Fund  
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**Narrative Justification:**

**FY2006 Continued:**

3. Renovation acceleration (\$17.7 million).
4. Completion of the construction activities for the UCC/RSAC (\$7.9 million).
5. Construction management and quality assurance (\$4 million).
6. Command Communications Survivability (\$2.6 million)

**FY 2007: \$320.6 million will be invested in PENREN/C initiatives to include:**

1. Design and Construction activities, including design, construction, energy management control system, lock hardware, and security systems and interior signs for Wedge Four (\$222.6 million).
2. Information Management and Telecommunications planning, engineering management, acquisition and implementation activities (\$38.5 million).
3. Renovation accelerator (\$33.8 million).
4. Life Safety Initiatives in Wedge Four to enhance safety, fire suppression, and blast resistance to the Pentagon (\$22.0 million).
5. Construction management and quality assurance (\$4.0 million).

WASHINGTON HEADQUARTERS SERVICES  
Business Area Capital Purchase Justification  
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ACTIVITY GROUP CAPITAL INVESTMENT JUSTIFICATION (\$ in Thousands)					A. FY 2006-2007 Budget Estimates Submission				
B. Raven Rock Mountain Complex (RRMC)				C. Line No. & Item Description		D. Activity Identification			
Element of Cost (\$000)	FY 2004		FY 2005		FY 2006		FY 2007		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	
Equip - ADPE & Telecom	0	0	0	0	0	0	0	0	
Equip - except ADPE & Telecom	0	0	0	0	0	0	0	0	
Fire Vehicle	0	0	0	1	250	250	1	375	
TOTAL	0	0	0	1	250	250	1	390	
Narrative Justification: \$0.4 million will be executed in FY 2006 and \$0.4 million in FY 2007 for the following RRMC initiative:									
Fire Vehicle:  RRMC Fire Department engine/Pumper: <ul style="list-style-type: none"><li>- The current engine/pumpers are near the end of their useful lives.</li><li>- Reliability problems exist with the current vehicles.</li><li>- Manufacturer is no longer in business, resulting in long lead time for parts and repairs</li><li>- The pumps on the current models are too small for proper fire operations.</li><li>- They do not meet National Fire Protection Assoc. 1901 safety standards and pose a risk of life hazard.</li><li>- Substandard lighting</li><li>- Substandard occupant safety</li></ul>									

WASHINGTON HEADQUARTERS SERVICES  
Business Area Capital Purchase Justification  
Fiscal Year (FY) 2006/2007 Budget Estimates  
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Changes in Capital Projects from the FY 2005 President's Budget

<u>FY</u>	<u>Approved Project</u>	<u>Reprogs</u>	<u>Approved Proj Cost</u>	<u>Current Proj Cost</u>	<u>Asset/ Deficiency</u>	<u>Explanation</u>
2005	Equipment ADPE and TELECOM		2,008		2,008	Change is attributed to a review of the requirements and subsequent realignment into the appropriate capital area. The change is also based on the reclassification of what components comprise a system
2005	Equipment Other		18,579	13,625	4,954	
	Information Management & Force Protection Technology					
2005	Armored Vehicles		175	175		
2005	Major Construction		381,002	379,000	2,002	Based on current review of capital requirements
	Major construction associated with the renovation of the Pentagon Complex					
2005	Fire Vehicle			250	-250	Fire vehicle needs replacement due to age and safety concerns
	Total FY 2005		401,764	393,050	8,714	

**WASHINGTON HEADQUARTERS SERVICES**  
**Summary of Operations**  
**Fiscal Year (FY) 2006/FY 2007 Budget Estimates**  
**Buildings Maintenance Fund**  
**February 2005**

**Overview:**

The Buildings Maintenance Fund (BMF) is a revolving fund managed by the Washington Headquarters Services (WHS). It operates under authority of Section 2208 (Working-capital funds) of Title 10, United States Code and is designed to operate on a break-even basis.

The fund is responsible for standard level operation, maintenance, repair and security of two federally owned and 27 leased facilities. These facilities are operated by the WHS under GSA/DoD Interagency Agreements which provide delegation of authority, and are occupied by Department of Defense (DoD) military and/or civilian personnel. Revenue is generated from standard and above standard work performed by the BMF from DoD components. The following activities are financed on a reimbursable basis through the BMF:

**Real Property Operations (RPO).** Includes all services needed for the effective, safe and efficient operation of all DoD managed buildings within the National Capital Region (NCR). Includes costs for cleaning, utilities, preventive maintenance, and repairs.

**Cleaning:** Includes expenses related to routine daytime and nighttime cleaning of offices and public areas. It also includes the costs of specialized cleaning services such as trash removal, recycling, and window washing.

**Utilities:** Includes the cost of all utilities (electricity, gas, water) used by the facility and its occupants.

**Maintenance:** Includes all expenses required for general repairs, maintenance, and upkeep of the facility. Repair and maintenance items include elevators, heating, ventilation, air conditioning, electrical, structural, roofing, plumbing, fire and life safety systems.

**Repair:** Includes repair projects over \$10,000 and cyclic painting to maintain facilities at levels adequate to support the assigned mission and to prevent deterioration and damage to buildings, their support systems, and operating equipment. Repair projects are prioritized and accomplished within available resources.

**Pentagon Force Protection Agency (PFPA).** The Pentagon Force Protection Agency was established by the Deputy Secretary of Defense as a Defense Agency under 10 USC 191, reporting directly to Director,

Administration and Management. The mission of the PFPA is to provide force protection, security, and law enforcement, as required for DoD-delegated facilities within the NCR. Costs within this budget include enhanced physical security, antiterrorism efforts, and Chemical, Biological, Radiological or Nuclear (CBRN) protection programs provided to BMF tenants.

The following table summarizes BMF total obligations (standard and above standard programs) by major program (\$ millions):

<b><u>Budget Sub-activity</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>
Real Property Operations	33.7	21.7	22.0	22.2
Pentagon Force Protection Agency	<u>25.3</u>	<u>33.7</u>	<u>34.4</u>	<u>35.5</u>
Total	59.0	55.4	56.4	57.7

The following table represents the BMF manpower(FTE) level:

<b><u>Real Property Operations</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>
Total	50	58	58	58

#### **Budget Highlights:**

The decrease in funding from FY 2004 to FY 2005 is attributable to the loss of the Army Material Command (AMC) delegated building from the Fund. It also reflects the one time above standard level costs incurred in FY 2004 for tenant build-out and security upgrades at One Liberty Center which is scheduled for occupancy in May 2005.

Enhancements to services provided to customers beginning in FY 2005 will include the procurement and maintenance of chemical, biological, radiological sensors, building detection sensor integration, and maintenance for DoD facilities in the National Capital Region.

Assumptions used within this budget assume that Real Property Operations will be maintained at commercially acceptable standards.

The following table represents BMF obligations by object classification for FY 2004 - FY 2007 (\$ in millions):

<b><u>Budget Sub-activity</u></b>	<b><u>FY 2004</u></b>	<b><u>FY 2005</u></b>	<b><u>FY 2006</u></b>	<b><u>FY 2007</u></b>
Personnel Compensation	3.6	4.3	4.4	4.6
Personnel Benefits	.9	1.1	1.1	1.1
Benefits to Former Employees	0.1	0.1	0.1	0.1
Travel	0.0	0.0	0.0	0.0
Transportation	0.0	0.0	0.0	0.0
Rent, Communications, and Utilities	2.5	1.3	1.3	1.4
Printing	0.0	0.0	0.0	0.0

Other Services	48.1	40.3	40.0	40.3
Supplies and Materials	0.1	3.7	2.8	3.7
Equipment	3.8	4.6	6.7	6.5
Interest and Dividends	0.0	0.0	0.0	0.0
Totals	59.0	55.4	56.4	57.7

#### **Narrative Explanation of Changes by Object Classification.**

Personnel Compensation and Personnel Benefits - The increase from FY 2004 to FY 2005 supports an increase in full time equivalents (FTEs) from 50 to 58.

Rent, Communications, and Utilities - The decrease from FY 2004 to FY 2005 is due to the reduction in rent for the vacated warehouse space at 1401 S. Fern Street due to expiration of lease.

Other Services (Includes above standard work orders, Advisory and Assistance services, and contractor maintenance) - The decrease from FY 2004 to FY 2005 reflects the return to baseline after the one time above standard costs for One Liberty in FY 2004.

Supplies and Materials - The increase from FY 2004 to FY 2005 is the direct result of Chemical Biological Laboratory reagents and other consumables used in the detection of foreign substances. The increase from FY 2006 to FY 2007 is due to Laboratory procedures that will require increased supplies and reagents.

Equipment - The increase from FY 2005 to FY 2006 is due to the purchase and life cycle replacement of radiological detectors, emergency escape masks, physical security equipment and Chemical Biological building protection equipment.



WASHINGTON HEADQUARTERS SERVICES  
Summary of Price, Program and other Changes - Obligations  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
February 2005  
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<u>Element of Expense</u>	<u>Cost of Operations FY 2004</u>	<u>Annualization of Pay Raises</u>	<u>Price</u>	<u>Growth Amount</u>	<u>Program &amp; Other Changes</u>	<u>Cost of Operations FY 2005</u>
Civilian Personnel Compensation	3.6	0.0		0.1	0.6	4.3
Civilian Personnel Benefits	0.9	0.0		0.0	0.1	1.1
Benefits to Former Employees	0.1	0.0		0.0	0.0	0.1
Travel	0.0			0.0	0.0	0.0
Transportation	0.0			0.0	0.0	0.0
Rent	1.1			0.0	-0.8	0.3
Communication and Utilities	1.4			0.0	-0.4	1.0
Printing	0.0			0.0	0.0	0.0
Other Services	48.1			1.0	-8.7	40.4
Supplies and Materials	0.1			0.0	3.6	3.7
Equipment	3.8			0.1	0.8	4.6
Interest/Dividend				0.0	0.0	0.0
<b>Total COST OF OPERATIONS (Includes Above Standard Program)</b>	<b>59.0</b>	<b>0.0</b>	<b>0.020</b>	<b>1.2</b>	<b>-4.8</b>	<b>55.4</b>

WASHINGTON HEADQUARTERS SERVICES  
Summary of Price, Program and other Changes - Obligations  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
February 2005  
(Dollars in Millions)

<u>Element of Expense</u>	<u>Cost of Operations FY 2005</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Amount</u>	<u>Program &amp; Other Changes</u>	<u>Cost of Operations FY 2006</u>
Civilian Personnel Compensation	4.3	0.0	0.1	0.0	4.4
Civilian Personnel Benefits	1.1	0.0	0.0	0.0	1.1
Benefits to Former Employees	0.1	0.0	0.0	0.0	0.1
Travel	0.0		0.0	0.0	0.0
Transportation	0.0		0.0	0.0	0.0
Rent	0.3		0.0	0.0	0.3
Communication and Utilities	1.0		0.0	0.0	1.0
Printing	0.0		0.0	0.0	0.0
Other Services	40.4		0.8	-1.2	39.9
Supplies and Materials	3.7		0.1	-0.9	2.8
Equipment	4.6		0.1	2.0	6.7
Interest & Dividends	0.0		0.0	0.0	0.0
<b>TOTAL COST OF OPERATIONS (Includes Above Standard Program)</b>	<b>55.4</b>	<b>0.0</b>	<b>1.1</b>	<b>-0.1</b>	<b>56.4</b>

WASHINGTON HEADQUARTERS SERVICES  
Summary of Price, Program and other Changes - Obligations  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
February 2005  
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<u>Element of Expense</u>	<u>Cost of Operations FY 2006</u>	<u>Annualization of Pay Raises</u>	<u>Price Growth Amount</u>	<u>Program &amp; Other Changes</u>	<u>Cost of Operations FY 2007</u>
Civilian Personnel Compensation	4.4	0.0	0.0	0.0	4.6
Civilian Personnel Benefits	1.1	0.0	0.0	0.0	1.1
Benefits to Former Employees	0.1	0.0	0.0	0.0	0.1
Travel	0.0		0.0	0.0	0.0
Transportation	0.0		0.0	0.0	0.0
Rent	0.3		0.0	0.0	0.3
Communication and Utilities	1.0		0.0	0.0	1.1
Printing	0.0		0.0	0.0	0.0
Other Services	39.9		0.0	0.8	40.7
Supplies and Materials	2.8		0.0	0.5	3.3
Equipment	6.7		0.0	-0.2	6.6
Interest & Dividends	0.0		0.0	0.0	0.0
<b>TOTAL COST OF OPERATIONS (Includes Above Standard Program)</b>	<b>56.4</b>	<b>0.0</b>	<b>0.0</b>	<b>1.2</b>	<b>57.7</b>

Exhibit FUND-1  
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WASHINGTON HEADQUARTERS SERVICES  
Changes In Cost Of Operations  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
February 2005  
(Dollars in Millions)

**FY 2004 Projected Actuals** **59.0**

**Pricing Adjustments:**

FY 2005 Pay Raise 0.1  
- Civilian Pay  
- Military Pay

**Annualization of Prior Year Pay Raises** 0.1

**Other Inflation Total** 1.2  
Inflation (All other categories) 1.2  
Utilites and Fuel Cost Escalations 0.0

**Program Changes:** -4.8

**Total Increases:** 5.1

Increase of 8 FTEs 0.7  
CB Laboratory reagents supplies and support 3.6  
Life Safety System Connectivity Equipment 0.8

**Decreases:** -9.9

Expiration of Fern Street Lease -0.8  
Decrease in utilities due to non-delegation of AMC  
Bldg -0.4  
Decrease in reimbursable above standard workload  
for One Liberty Center -8.7

**FY 2005 Estimate:** **55.4**

WASHINGTON HEADQUARTERS SERVICES  
Changes In Cost Of Operations  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
February 2005  
(Dollars in Millions)

FY 2005 Estimate: 55.4

Pricing Adjustments:

FY 2006 Pay Raise		
- Civilian Pay		0.1
- Military Pay		

Annualization of Prior Year Pay Raises		0.1
----------------------------------------	--	-----

Other Inflation Total		1.1
Inflation (All other categories)	1.1	
Utilites and Fuel Cost Escalations	0.0	

Program Changes:		<u>-0.2</u>
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Total Increases:		<u>2.0</u>
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Personnel protection equipment	2.0	
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Total Decreases:		<u>-2.2</u>
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Reduced reimbursable above standard services	-0.6	
Reduced biological consumables and support	-0.6	
Reduced reagents and lab supplies	-0.9	

FY 2006 Estimate: 56.4

WASHINGTON HEADQUARTERS SERVICES  
Changes In Cost Of Operations  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
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(Dollars in Millions)

FY 2006 Estimate: 56.4

Pricing Adjustments:

FY 2007 Pay Raise		
- Civilian Pay		0.0
- Military Pay		

Annualization of Prior Year Pay Raises		0.0
----------------------------------------	--	-----

Other Inflation Total		1.2
Inflation (All other categories)	1.2	
Utilites and Fuel Cost Escalations	0.0	

Program Changes:		<u>1.1</u>
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Total Increases:	<u>0.5</u>	
------------------	------------	--

Reagents and lab supplies	0.5	
---------------------------	-----	--

Total Decreases:	<u>0.6</u>	
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Decrease in reimbursable above standard workload	0.8	
Building protection equipment	-0.2	

FY 2007 Estimate: 58.7

WASHINGTON HEADQUARTERS SERVICES  
Source of New Orders and Revenue  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
February 2005  
(Dollars in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Funded Customer Orders				
a. Rent Orders from DoD Components:				
Department of the Air Force	0.9	1.5	1.5	1.6
Department of the Army	16.3	16.9	17.1	17.5
United States Marine Corp	0.0	0.0	0.0	0.0
Department of the Navy	2.9	3.2	3.3	3.3
Subtotal Military Departments	20.1	21.6	21.9	22.4
Defense-Wide				
AFIS	0.0	0.0	0.0	0.0
CAAF (CMA)	0.6	1.1	1.1	1.1
DCMA	0.9	1.6	1.6	1.7
DECA	0.1	0.0	0.0	0.0
DFAS	0.7	0.9	0.9	0.9
DIA	1.0	1.7	1.7	1.7
DISA	1.6	2.6	2.7	2.9
DLA	0.7	1.4	1.4	1.5
DLSA	0.0	0.0	0.0	0.0
DSS	0.1	0.3	0.3	0.3
DTRA	2.2	3.0	3.0	3.1
JCS	0.0	0.0	0.0	0.0
MDA	0.0	0.0	0.0	0.0
NGA (NIMA)	0.0	0.0	0.0	0.0
NSA	0.0	0.0	0.0	0.0
WHS	<u>5.8</u>	<u>7.2</u>	<u>7.3</u>	<u>7.5</u>
Subtotal Defense-Wide	13.8	19.7	20.1	20.8
b. Total Standard Level Orders	33.9	41.3	42.0	43.1
c. Other Orders:				
Above Standard Services				
Building Services and Space	25.3	11.9	10.0	10.0
Adjustments				
PFPA	<u>1.4</u>	<u>2.2</u>	<u>2.3</u>	<u>2.5</u>
Subtotal Above Standard Services	26.7	14.1	12.3	12.5
Orders Non-DoD Agencies	0.0	0.0	0.0	0.0
Subtotal Non-DoD Agencies and Others:	26.7	14.1	12.3	12.5
d. Total New Orders:	60.6	55.4	54.3	55.6

Exhibit Fund 11

WASHINGTON HEADQUARTERS SERVICES  
Revenue and Expenses  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
February 2005  
(Dollars in Millions)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Revenue:				
Direct Appropriation	0.0	0.0	0.0	0.0
Standard level	33.9	41.3	42.0	43.1
Above standard level	<u>26.7</u>	<u>14.1</u>	<u>12.3</u>	<u>12.5</u>
<b>Total revenue</b>	<b>60.6</b>	<b>55.4</b>	<b>54.3</b>	<b>55.6</b>
<b>Standard level operating expenses:</b>				
Real Property Operations:	11.1	9.8	9.9	10.2
Cleaning	1.0	1.0	1.0	1.1
Utilities & fuel	2.0	1.0	1.0	1.0
Maintenance	0.9	0.8	0.8	0.8
Other building services	0.8	0.1	0.1	0.1
Administration	5.9	6.5	6.6	6.8
Repairs (over \$10,000)	0.5	0.4	0.4	0.4
Pentagon Force Protection Agency:	23.6	31.5	32.1	33.0
<b>Above standard reimbursable expenses:</b>				
Real Property Operations:	22.6	11.9	12.1	12.0
Cleaning	1.0	0.5	0.5	0.5
Utilities and fuels	2.5	2.0	2.0	2.0
Maintenance	1.0	0.5	0.5	0.5
Space adjustment, furniture & other	18.1	8.9	9.1	9.0
Force Protection	1.7	2.2	2.3	2.5
<b>Total operating expenses</b>	<b>59.0</b>	<b>55.4</b>	<b>56.4</b>	<b>57.7</b>
Other factors affecting NOR	1.6	0.0	-2.1	-2.0
FY 2004 - Gain is due to actuals being less than projected				
FY 2006 and FY 2007 - Unobligated balances brought forward				
will cover the difference between program and new orders				
<b>Cost of Services</b>	<b>59.0</b>	<b>55.4</b>	<b>56.4</b>	<b>57.7</b>
<b>Net Operating Result</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Accumulated operating result</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>



WASHINGTON HEADQUARTERS SERVICES  
Cost of Basic Services  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
February 2005

PROGRAM	FY 2004		FY 2005		FY 2006		FY 2007	
	Workload (Avg. Sq. Ft.)	Cost per Sq. Ft.*	Workload (Avg. Sq. Ft.)	Cost per Sq. Ft.*	Workload (Avg. Sq. Ft.)	Cost per Sq. Ft.*	Workload (Avg. Sq. Ft.)	Cost per Sq. Ft.*
Cleaning	881,798	\$1.13	881,798	\$1.16	881,798	\$1.18	881,798	\$1.19
Utilities & Fuels	964,331	\$2.07	964,331	\$1.03	964,331	\$1.04	964,331	\$1.06
Maintenance	2,175,702	\$0.41	2,175,702	\$0.38	2,175,702	\$0.38	2,175,702	\$0.39
Other Building Services	4,347,041	\$0.18	4,181,569	\$0.02	4,181,569	\$0.02	4,181,569	\$0.02
Administrative	4,347,041	\$1.36	4,181,569	\$1.55	4,181,569	\$1.58	4,181,569	\$1.62
Administrative Cost as Percent of Total Program Cost**		5.1%		5.4%		5.5%		5.6%

\* Unit Cost per Square Foot excludes reimbursable above standard services

\*\*The percentage change for Administrative cost as a percentage of total program cost is attributed to changes for GSA lease cost each year.

Exhibit Fund PR - 1

WASHINGTON HEADQUARTERS SERVICES  
Summary Statement  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
Buildings Maintenance Fund  
February 2005  
(Dollars in Millions)

					<u>DISBURSEMENTS BY FISCAL YEAR</u>						
	<u>Obs.</u>	<u>Orders</u>	<u>Revenue</u>	<u>Cost</u>	<u>04</u>	<u>05</u>	<u>06</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>
<u>Real Property</u>											
FY 2004	33.7	34.5	34.5	33.7	27.0	6.7	0.0	0.0			
FY 2005	21.7	21.7	21.7	21.7		17.4	2.2	1.5	0.7		
FY 2006	22.0	19.9	19.9	22.0			13.2	6.6	1.5	0.7	
FY 2007	22.2	20.1	20.1	22.2				13.3	6.7	1.6	0.7
<u>Pentagon Force Protection Agency:</u>											
FY 2004	25.3	26.1	26.1	25.3	5.5	18.0	1.0	0.8			
FY 2005	33.7	33.7	33.7	33.7		18.1	12.2	2.4	1.0		
FY 2006	34.4	34.4	34.4	34.4			27.0	3.9	2.4	1.0	
FY 2007	35.5	35.5	35.5	35.5				28.7	3.3	2.5	1.1
<u>Total BMF:</u>											
FY 2004	59.0	60.6	60.6	59.0	32.5	24.7	1.0	0.8			
FY 2005	55.4	55.4	55.4	55.4		35.5	14.4	3.9	1.7		
FY 2006	56.4	54.3	54.3	56.4			40.2	10.5	3.9	1.7	
FY 2007	57.7	55.6	55.6	57.7				42.0	10.0	4.1	1.8
<u>Cash:</u>											
	<u>BOY</u>	<u>Collections</u>	<u>Disb.</u>	<u>EOY</u>							
FY 2004	15.9	60.6	32.5	44.0							
FY 2005	44.0	55.4	60.2	39.2							
FY 2006	39.2	54.3	55.6	37.9							
FY 2007	37.9	55.6	57.2	36.3							

EXHIBIT PR-2

**DEFENSE LOGISTICS AGENCY**  
**Transaction Fund**  
**Defense National Stockpile Center**  
**FISCAL YEAR (FY) 2006/FY 2007 Budget Estimates**  
**February 2005**

The National Defense Stockpile (NDS) operates under the authority of the Strategic and Critical Stock Piling Act 50 U.S.C. §98, et seq.). The Stock Piling Act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign sources of supply in times of a national emergency. The Defense National Stockpile Center (DNSC) administers the acquisition, storage, management, and disposal of the NDS.

This submission recognizes that the international commodities market is subject to fluctuation and is at times volatile. The recovery of the commodities market is continuing at a record pace in several commodities. In FY 2004, for example, ferro-manganese was estimated to sell at \$230 per ton and actually sold for as high as \$1,200 per ton. Since the beginning of FY 2005, however, prices have been declining.

DNSC closed FY 2004 with 27 sites that have material remaining to be sold. The updated estimate of the number of storage sites with commodities for sale by the end of FY 2005 through FY 2011 follows:

	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11
Storage Sites	27	23	17	14	11	8	8	8

It should be noted that selling all of the material at a storage site does not necessarily mean that the site has been vacated. There is often a delay, especially for bulk commodities, between the sale of the material and actual shipment. In addition, a site may require environmental cleanup before it can be vacated. DNSC's sales program was revised to reflect September 30, 2004 market prices. Staffing levels remain in line with workload. However, DNSC continues to re-evaluate organizational structures for both headquarters and the depots, staffing levels, and temporary and outsourcing hiring options in order to address heavier than anticipated workload due to increased sales and delivery activity.

The sales plan reflects the six categories of authorized programs and also includes what is currently in proposed legislation:

Authorized

- Principal Sales Program
- Foreign Military Sales Program
- Cobalt Post Foreign Military Sales Program
- Treasury and HHS Program
- Spectrum/Military Benefits Program
- WWII Memorial & Treasury General Fund Program

<b>Sales (\$ in millions)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Principal Sales Program	\$296.8	\$147.3	\$116.0
Foreign Military Sales Program	\$20.8	\$3.2	\$3.2
Cobalt Post Foreign Military Sales	\$52.9	\$97.4	
Treasury & HHS Program	\$18.7	\$28.2	\$31.0
Spectrum / Military Benefits Program	\$63.5	\$41.4	\$37.2
WWII Memorial	\$44.4	\$7.7	
Total Sales	\$497.1	\$325.2	\$187.4

Payments (Transfers) are summarized in the following chart. See individual program for details.

<b>Payments (\$ in millions)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Foreign Military Sales Program	\$15.7	\$42.9	\$5.5
Cobalt Post Foreign Military Sales	\$15.7	\$122.8	\$19.5
Treasury & HHS Program	\$15.7	\$48.6	\$27.2
Spectrum / Military Benefits Program	\$15.7	\$74.2	\$42.0
WWII Memorial	\$15.7	\$34.8	\$5.4
Total Payments	\$78.7	\$323.3	\$99.6

During FY 2004, there were two factors that caused changes from the August 2004 submission for sales and payments: (1) The FY 2005 Defense Authorization Act increased the sales authorization for the Treasury and HHS Program by \$100 million through FY 2009, which increased FY 2005 programming by \$28.8 million; (2) DNSC was not granted FY 2004 authorization to transfer an additional \$156 million in payments. DNSC has additional authority for FY 2005 transfers, which has been reflected in the payments shown above.

## **Principal Sales Program**

DNSC's Principal Sales program consists of disposals of commodities that were considered excess to the needs of the Department of Defense and authorized for sale prior to FY 1996. Subsequent authorization acts that have granted sales authority for other excess commodities have earmarked the proceeds to the other programs listed above.

## **Foreign Military Sales Program**

The National Defense Authorization Act for Fiscal Year 1997, P.L. 104-201, authorized additional disposals to offset losses to the U.S. Treasury that would be incurred due to reduced charges to buyers in the Foreign Military Sales (FMS) program. A provision of the Federal Acquisition and Reform Act (FARA), P.L. 104-106, permits the President to waive charges for non-recurring Research & Development (R&D) and production costs for FMS sales from DoD stocks. This provision was intended to increase FMS sales, increase production quantities, and ultimately to reduce the cost of equipment procured by the Services. The provision required offsetting legislation before costs could be waived. The Stockpile FMS program was to fulfill this requirement by generating anticipated receipts of \$612 million by the end of FY 2006. P.L. 106-65, the National Defense Authorization Act for FY 2000, increased the funds to be paid from \$612 million (previously authorized in P.L. 104-201) to \$720 million. The following commodities and quantities were authorized for sale under FMS:

Aluminum	62,881 short tons
Cobalt	26,000,000 pounds
Columbium Ferro	930,911 pounds contained
Germanium Metal	40,000 kilograms
Indium	35,000 troy ounces
Palladium	15,000 troy ounces
Platinum	10,000 troy ounces
Rubber, Natural	125,138 long tons
Tantalum, Various types	796,000 pounds contained

The sale of these materials generated proceeds of \$589.9 million through FY 2004. DNSC anticipates a cumulative total of \$640.7 million by the end of FY 2006. The projections for FY 2005 and FY 2006 are \$42.9 million and \$5.5 million, respectively. Receipts are to be paid from the National Defense Stockpile Transaction Fund (T-Fund) and deposited into the Treasury General Fund as receipts are realized. DNSC will pay current fiscal year collections to Treasury at the end of each fiscal year.

## **Cobalt Post Foreign Military Sales Program**

The National Defense Authorization Act for FY 1998, P.L.105-85, authorized additional sales of cobalt. DNSC projects collections of \$190.7 million by the end of FY 2006, subject to market fluctuation. P.L. 106-65, the National Defense Authorization Act for FY 2000, increased the funds to be paid from \$102 million (previously authorized in P.L. 105-85) to \$235 million. P.L. 107-107, the National Defense Authorization Act for FY 2002, accelerated sales to begin in FY 2002 instead of FY 2003 to avoid potential market disruption. The sale of this material generated proceeds of \$48.6 million through FY 2004 and will generate an anticipated cumulative total of \$190.7 million by the end of FY 2006. Projections indicate that DNSC may pay \$122.8 million during FY 2005 and \$19.5 million in FY 2006. The receipts from these sales are to be paid from the T-Fund and deposited into the Treasury General Fund.

## **Treasury and HHS Sales Program**

The National Defense Authorization Act for FY 1999, P.L. 105-261, authorized additional disposals of commodities. The receipts from these sales are to be paid from the T-Fund and deposited into the U.S. Treasury. A portion of the receipts will be paid to the Secretary of Health and Human Services (HHS) to be credited in the manner determined by the Secretary HHS to the Federal Hospital Insurance Fund and the Federal Supplementary Medical Insurance Trust Fund. P.L. 106-398, the National Defense Authorization Act for FY 2001, increased the funds to be paid from \$590 million (previously authorized in P.L. 105-261) to \$720 million for the HHS & Treasury General Fund. P.L. 107-107, the National Defense Authorization Act for FY 2002, increased the funds to be paid from \$720 million (previously authorized in P.L. 106-398) to \$770 million by the end of FY 2006. The National Defense Authorization Act for FY 2005 further increased the funds to be paid to \$870 million by the end of FY 2009. DNSC has paid \$748.9 million through September 2004. Projections indicate that DNSC may pay \$48.6 million during FY 2005 and \$27.2 million in FY 2006. DNSC will pay current fiscal year collections to Treasury at the end of each fiscal year.

The following commodities and quantities were authorized:

Bauxite Refractory	29,000 long calcined ton
Beryllium Metal	100 short tons
Chromite Chemical	34,000 short dry tons
Chromite Refractory	159,000 short dry tons
Chromium Ferroalloy	125,000 short tons
Columbium Carbide Powder	21,372 pounds
Columbium Concentrates	1,733,454 pounds
Columbium Ferro	249,396 pounds

Columbium Metal—Ingots	161,123 pounds
Diamond, Stones	3,000,000 carats
Germanium Metal	28,198 kilograms
Graphite Natural Ceylon Lump	5,492 short tons
Indium	14,248 troy ounces
Mica Muscovite Block	301,000 pounds
Mica Phlogopite Block	130,745 pounds
Platinum	439,887 troy ounces
Platinum-Iridium	4,450 troy ounces
Platinum-Palladium	750,000 troy ounces
Tantalum Carbide Powder	22,688 pounds
Tantalum Metal Ingots	125,000 pounds
Tantalum Metal Powder	125,000 pounds
Tantalum Minerals	1,751,364 pounds
Tantalum Oxide	122,730 pounds
Tungsten Carbide Powder	2,032,896 pounds
Tungsten Ferro	2,024,143 pounds
Tungsten Metal Powder	1,898,009 pounds
Tungsten Ores & Concentrates	76,358,235 pounds

#### **Spectrum/Military Benefits Sales Program**

The National Defense Authorization Act for Fiscal Year 2000, P. L. 106-65, authorized additional sales of commodities through the end of FY 2009. P. L. 108-136, the National Defense Authorization Act for FY 2004, increased the funds to be paid from \$300 million to \$450 million by the end of FY 2013. The sale of these materials generated proceeds of \$299.8 million through FY 2004, and will generate an anticipated cumulative total of \$190.7 million by the end of FY 2006. Projections indicate that DNSC may pay \$74.2 million during FY 2005 and \$42.0 million in FY 2006. The receipts from these sales are to be paid from the T-Fund and deposited into the Treasury General Fund.

#### **WWII Memorial & Treasury General Fund Program**

Public Law 106-398, the National Defense Authorization Act for FY 2001, authorized the sale of 30,000 short tons of titanium by September 30, 2010. Proceeds of \$6 million were transferred to the American Battle Monuments Commission for the World War II Memorial. The remainder will be deposited into the General Treasury as Miscellaneous Receipts. The sale of this material has generated proceeds of \$65.5 million through FY 2004 and is anticipated to generate a cumulative total of \$105.5 million by end of FY 2008. Projections indicate that DNSC may transfer \$34.8 million by the end of FY 2005 and \$5.4 million by the end of FY 2006. The receipts from these sales are to be paid from the T-Fund and deposited into the Treasury General Fund.

## **Budget Highlights**

### **Operations Obligations:**

<b>Highlights (\$ in millions)</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Labor	\$14.1	\$14.9	\$12.3
Non-Labor	\$47.4	\$28.0	\$33.3
Rent	\$10.0	\$6.7	\$10.9
Real Property Maintenance	\$8.1	\$2.4	\$1.8
Environmental	\$10.5	\$16.8	\$6.5
Thorium Nitrate Project	\$6.1	\$7.3	\$3.7
Mercury	\$0.5	\$1.5	\$1.6
Remaining Costs	\$3.9	\$8.0	\$1.2

Note: FY 2004 Non-labor includes \$4.8 million in disbursements made against prior year obligations.

### **Labor**

DNSC is continuing to downsize through attrition to avoid the possibility of adverse impact to employees through Reductions-in-Force. The FY 2004 labor dollars are under represented in that DNSC expended \$0.9 million in contracted personnel to maintain appropriate levels of staffing. For FY 2005 and FY 2006, full-time equivalents (FTEs) projections are the same as those contained in the last President's Budget submission: 162 FTEs are projected in FY 2005 and 137 FTEs are projected in FY 2006. DNSC projections are consistent with the original downsizing plan established in FY 1998. Corporate overhead FTEs have not been added to the personnel exhibits; however, corporate overhead dollars have been added to DNSC labor estimates throughout this submission.

### **Non-Labor**

Rent requirements have been updated since the last President's Budget submission. In the FY 2005 President's Budget, rent requirements were based on projected sales without consideration for removal, remediation or restoration periods. Also, the FY 2005 numbers assumed the mercury in storage at the Oak Ridge, TN; New Haven, IN; Somerville, NJ and Warren, OH sites would be consolidated and managed at a single site under a full services contract, which would shift rent costs into the non-labor, contract services line. In summary, these assumptions caused the rent projections in the President's Budget to be understated by approximately 35 percent.

Rent requirements have been updated to reflect actual removal dates of sold materials plus one full year for remediation and restoration at all occupied sites. This submission also reflects costs for continued storage of mercury in its present locations, except



Oak Ridge, TN, through FY 2007. This change is the result of the Mercury Management Environmental Impact Statement (MMEIS) taking a year longer to complete than originally estimated, and delays resulting from the legislative requirement to submit an additional report to Congress. Department of Energy (DOE) has asked DNSC to relocate mercury in storage at the Oak Ridge, TN facility to enable growth of their programs. Also the mercury stored at Oak Ridge, TN requires repackaging. This mercury will be relocated to the Warren, OH Depot in FY 2005, which can accommodate the repackaging effort and extended storage pending the final determination on the consolidation of the mercury. The impact on rents will be the reduction of the \$64,000 annual rent paid to DOE. Costs at Warren Depot will be the same since this can be consolidated into the existing footprint. Budget requirements for FY 2006 and beyond have been adjusted to reflect the changes identified above.

### **Environmental**

The DNSC Depot environmental program is integrated with the phased Depot closure schedule. Preliminary Assessments have been completed and required follow-on site investigations have been done. Site Investigations are follow-on actions designed to identify potential areas on a site requiring environmental remediation. If the Site Investigation reveals a potential clean up requirement, a Remedial Investigation is performed to define the extent of remediation required. Once the extent of remediation is determined, a Feasibility Study is conducted to determine the best method and identify the costs of the required effort. Cleanup actions are phased to minimize disruption to depot operations and accommodate budget constraints. Other environmental costs are centered on mercury consolidation and thorium nitrate disposition. The final MMEIS was released in March 2004. Following that release, a Record of Decision was published that stated that DNSC planned to consolidate the storage of the mercury at one site and stated that the Oak Ridge material would be over packed at the Warren, OH depot prior to being shipped to the consolidated storage site. No consolidated storage site has been determined yet. Once the mercury has been consolidated at one location, costs are estimated to be \$1.6 million per year for 40 years.

DNSC is transferring over seven million pounds of radioactive Thorium Nitrate to the DOE for disposal at their Nevada Test Site. DOE will accept ownership and responsibility. The project cost (Phases I through III) including packaging, transportation, and disposal at NTS is estimated to be \$15 million. DNSC published an Environmental Assessment (EA) in October 2003 and a Finding of No Significant Impact (FONSI) in November 2003. A packaging and transportation contract was awarded in December 2003. Shipments began in August 2004 and are to be completed by the end of September 2005. DNSC will

also need to decontaminate and decommission both storage sites that stored the thorium nitrate. Estimated cost is \$3.0 million for Curtis Bay in FY 2007 and \$1.0 million for Hammond in FY 2007.

Environmental training, permits and fees, sampling and analysis, hazardous and solid waste disposal, external environmental audits, recycling, conservation, underground storage tanks, and air permit constitute the remainder of the environmental budget (approximately \$881 thousand).

DEFENSE LOGISTICS AGENCY  
Transaction Fund  
National Defense Stockpile Center  
FISCAL YEAR (FY) 2006/FY 2007 BUDGET ESTIMATES  
Stockpile Financial Status Report  
February 2005  
(Dollars in Million)

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Treasury Cash Balance, End of Prior Year	785.1	1132.4	1191.7	1257.1
Collections	493.1	439.3	209.7	163.0
Disbursements (see note)	<u>67.1</u>	<u>56.7</u>	<u>44.7</u>	<u>51.4</u>
Labor	14.1	14.0	12.3	12.7
Non-Labor	53.0	42.7	32.4	38.7
<u>Payments:</u>				
FMS	15.7	42.9	5.5	2.5
Cobalt TGF	15.7	122.8	19.5	0.0
Treasury (HHS)	15.7	48.6	27.2	33.8
Treasury (Spectrum)	15.7	74.2	42.1	29.8
WWII Memorial	15.7	<u>34.8</u>	<u>5.4</u>	<u>0.0</u>
Total Payments	78.7	323.3	99.6	66.1
Selected Liabilities				
Accounts Payable	25.2	26.9	23.5	24.7
Accrued Liabilities	1.8	2.0	2.0	2.0
Advances Received	24.8	28.9	15.3	7.7
Other Liabilities				
Environmental Clean-up Liability	103.0	103.0	103.0	103.0
Undelivered Orders	27.7	28.0	28.0	28.0
<b>Cash Balance</b>	<b>1132.4</b>	<b>1191.7</b>	<b>1257.1</b>	<b>1302.6</b>

Exhibit SP-1

**DEFENSE LOGISTICS AGENCY**  
**Transaction Fund**  
**Defense National Stockpile Center**  
**Fiscal Year (FY) 2006/FY 2007 Budget Estimates**  
**February 2005**  
**Statement of Financial Condition**  
**(Dollars in Millions)**

	FY 2004	FY 2005	FY 2006	FY 2007
ASSETS:				
Selected Assets:				
Cash	1,132.3	1,191.6	1,257.1	1,302.7
Accounts Receivable	9.1	9.1	9.1	9.1
Inventories	1,568.8	1,243.5	1,056.0	911.1
TOTAL ASSETS	2,710.2	2,444.2	2,322.2	2,222.9
LIABILITIES				
Selected Liabilities:				
Accounts Payable	25.2	26.9	23.5	24.7
Accrued Liabilities	1.8	2.0	2.0	2.0
Advances Received	24.8	28.9	15.3	7.7
Environmental Liability	103.0	103.0	103.0	103.0
Undelivered Orders	27.7	28.0	28.0	28.0
TOTAL LIABILITIES	182.5	188.8	171.8	165.4
GOVERNMENT EQUITY				
Cumulative Results of Operations	2,527.7	2,255.4	2,150.4	2,057.5
TOTAL NET POSITION	2,527.7	2,255.4	2,150.4	2,057.5
TOTAL LIABILITIES AND EQUITY	2,710.2	2,444.2	2,322.2	2,222.9

**Conventional Ammunition Working Capital Fund  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
February 2005**

Effective September 30, 1998, the Conventional Ammunition Working Capital Fund (CAWCF) officially closed for acceptance of new orders for the procurement of conventional ammunition. However, the Fund will remain open through September 2007 to complete residual functions. These include the 1) delivery of a few unfilled orders received prior to September 30, 1998; 2) closeout of all financial records; and 3) disposal of CAWCF-owned inventory, material, and supplies. The last deliveries and all accounting transactions related to closeout are expected to be completed by the end of fiscal year 2005.

Completion of Deliveries

Nine orders totaling \$5.7 million were delivered in December 2004. As of January 2005, only three orders totaling \$9.9 million remain undelivered:

An order of \$6 million was delayed while awaiting the receipt of government furnished materials (GFM). Production resumed in August 2004 and delivery is currently scheduled for March 2005.

An order of \$3.8 million was delayed because the bomb bodies were rerouted to a higher priority Air Force requirement. Further delays resulted from financial issues related to the higher cost of replacement bomb bodies; however, these issues have now been resolved and production has resumed. Delivery is currently scheduled for May 2005.

An order for \$113 thousand is scheduled for delivery in February 2005.

Closeout of Financial Records

No unresolved litigation or other contract negotiation concerns are known at this time. Four contracts totaling \$896 million still require Defense Contract Audit Agency (DCAA) audits prior to closeout. DCAA estimates these audits will be completed and the related orders closed out by the end of fiscal year 2005.

All orders place in FY 1997 and prior years will be closed in accordance with applicable Financial Management Regulations. For FY 1998 non-standard (cost reimbursable) orders from DOD customers will be converted to standard price orders to eliminate the need for further billings or refunds to customers. This procedure was directed by the Ammunition Production Improvement Team (APIT) and received the concurrence of the Office of the Secretary of Defense (Comptroller) and the Services involved.

By law all Foreign Military Sales (FMS) orders must be billed at actual costs. Fifty-two FMS orders require funding adjustments, which will result in net refunds to customers of \$2.2 million. These FMS adjustments are expected to be completed by the end of FY 2005.

**Conventional Ammunition Working Capital Fund  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
February 2005**

Disposal of Materials and Supplies

CAWCF-owned material currently on-hand includes both industrial stock and inventory. This material will either be transferred to the storage activity or disposed of. The total estimated cost of transfer and/or proper disposal is \$17 million.

A listing of all industrial stock was sent to each Service for screening. All items desired by any service have been delivered. The U.S. Army Joint Munitions Command (JMC) is screening residual materials, including hazardous materials and items that require dual signature screening for disposal. JMC is also soliciting bids for demilitarization of explosives and disposal of hazardous waste and other materials.

Inventory is listed on CAWCF records at several locations. JMC will determine what items have been consumed in production and then arrange for the disposal or transfer of all remaining inventory.

**FINANCIAL POSITION**

The CAWCF has sufficient cash to meet all currently known and estimated requirements and requires no additional funding. Projected cash disbursements include payments for production contracts, disposal of materials and supplies, and administrative close-out costs (including labor at JMC). The cash spend-out plan through the end of FY 2007 is shown below. The FY 2005 net outlays include disbursements and refunds to FMS customers. Any cash left over after final close out (currently projected to be \$13 million) will be returned to the Treasury unless otherwise directed by the Office of Under Secretary of Defense (Comptroller).

Cash Spend-out Plan (\$ Millions)

Cash Balance as of September 30, 2004		\$42.9
FY 2005 Net Outlays	-15.3	
FY 2006 Net Outlays	-11.2	
FY 2007 Net Outlays	<u>-3.4</u>	<u>-29.9</u>
Estimated Cash Position at Closure		\$13.0

Additional obligations will occur upon completion of DCAA audits, resolution of unforeseen litigation and/or settlements, and disposal of CAWCF-owned supplies and materials. Deobligations will occur in FY 2005 as FY 1998 orders are converted from non-standard to standard price and as orders are closed. Disbursements will occur as the Defense Finance and Accounting Service makes the necessary accounting entries to account for payments of contract production and disposal costs. In the obligation plan below, positive numbers increase total unliquidated obligations (ULO) and negative numbers (such as deobligations and disbursements) decrease total unliquidated

**Conventional Ammunition Working Capital Fund  
Fiscal Year (FY) 2006/FY 2007 Budget Estimates  
February 2005**

obligations (ULO). By the end of FY 2007, all unliquidated obligations (those not disbursed or deobligated) are expected to be zero.

Obligation Plan (\$ Millions)		
ULO Balance as of September 30, 2004		\$15.9
FY 2005 Obligations	\$12.1	
FY 2005 Deobligations	-9.4	
FY 2005 Disbursements	<u>-13.1</u>	
ULO Balance as of September 30, 2005		5.6
FY 2006 Obligations	7.0	
FY 2006 Deobligations	0.0	
FY 2006 Disbursements	<u>-11.2</u>	
ULO Balance as of September 30, 2006		1.4
FY 2007 Obligations	2.0	
FY 2007 Deobligations	0.0	
FY 2007 Disbursements	<u>-3.4</u>	
ULO Balance as of September 30, 2007		\$0.0